GEORGE WARREN
BROWN
SCHOOL
of Social Work

STUDENT LOAN DEBT MANAGEMENT

For Social Work & Public Health Professionals

Looking Ahead

Your investment in your education at the Brown School at Washington University is an asset which will serve you throughout the rest of your life. Many students at the Brown School (and at most institutions of higher education) have utilized some type of student loan to help pay for their expenses while in school. As you prepare to complete your program, one of the most important steps you should take is assessing any student loan debt you may have from Stafford loans, Perkins loans and/or Graduate PLUS loans.

The Department of Education has numerous options and plans to help graduates repay their student loans. It is your responsibility to not only be aware of your existing loan debt, but also your repayment expectations and obligations.

(Portions of the information contained in this guide were retrieved from http://studentaid.ed.gov.)

How To Prepare

Depending on the type of loan or loans you received while enrolled at the Brown School, your repayment period will begin either six months (for **Stafford** and **PLUS** loans) or nine months (for **Perkins** loans) after you complete your program or drop below half-time status.

The **National Student Loan Data System** (NSLDS) is an indispensible tool as you prepare to begin repayment. Your first step should be to visit www.nslds.ed.gov to complete **Exit Counseling**. This will briefly go over your rights and responsibilities as a borrower of federal loans as well as your repayment options. You will also be reminded of the **interest rates** for the various loans you took out.

Loan Interest Rates			
	Perkins	Unsubsidized Stafford	PLUS
Prior to July 1, 2013	5%	6.8%	7.9%
July 1, 2013 – June 30, 2014	5%	5.41%	6.41%
July 1, 2014 – June 30, 2015	5%	6.21%	7.21%
July 1, 2015 – June 30, 2016	5%	5.84%	6.84%

After completing Exit Counseling, you should then complete the **Financial Aid Review** which can also be found on NSLDS. This review will list every federal loan you received while enrolled as an undergraduate and/or graduate student. You will be able to see your total loan indebtedness, **lender** and **servicer** contact information and the status of each loan. It is very important that you become familiar with NSLDS and check it regularly.

The difference between the lender and servicer is important. The lender (Direct Loans for all loans made after 2010) is the entity that initially made the loan and disbursed it to your institution. The servicer is the company that collects payments.

During your **grace period** you are not required to begin making payments. However, you should use this time to begin budgeting and estimating what your loan payment is expected to be. A **loan repayment estimator** can be found online at http://studentloans.gov. This tool will give you a very close approximation as to your monthly payments once your grace period has ended.

If, for example, you have loans that total $41,000 (two years' worth of the maximum Stafford eligibility for a graduate student) with 5.84% interest, you can get a general idea of what the monthly payments will be.

Repayment Plan	Repayment Period	Monthly Payment Initial to Final Amounts	Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid
Standard	120 months	$451 to $451	$0	$13,129	$54,129
Graduated	120 months	$257 to $772	$0	$16,618	$57,618
Extended Fixed	300 months	$259 to $259	$0	$36,752	$77,752
Extended Graduated	300 months	$198 to $396	$0	$43,671	$84,671

For that loan amount, the monthly payments will be roughly $451/month under the **Standard Repayment Plan**. The calculator will also show alternative repayment options and their corresponding estimated payments.

You may have to calculate more than one payment if you have loans with varying interest rates. By adding the estimated payments together, you will get a good idea of what you will be responsible for paying per month when your grace period ends.

Remember:

As your yearly earnings increase, you should adjust your monthly payments accordingly. If you can afford to pay more than the minimum payment due each month, you should try your best to pay a higher amount thereby decreasing the total loan balance more quickly.

Interest Calculation

Interest on your federal student loans is calculated using a **Simplified Daily Interest Formula**. The formula is:

Daily interest amount = (Current Principal Balance x Interest Rate) ÷ 365.25
Monthly interest amount = (Daily Interest Amount x number of days in the month)

For example, for a student loan balance of $20,500 with an interest rate of 5.84%, the monthly interest would be calculated as follows:

Daily interest amount: ($20,500 x .0584) ÷ 365.25 = $3.2778
Monthly interest amount: $3.28 x 30 (typical month) = $98.40

So, the interest that would accrue in one month on this particular loan would be roughly $98.40 (depending on the number of days in the month). If you make a payment greater than the interest that has been calculated, you should indicate to your Servicer that you would like the excess funds to be applied to the principal amount remaining.

Repayment Plans

There are several repayment plans offered by the Department of Education. You should investigate all options and contact the Department of Education if you have questions about eligibility. Information about repayment plans and how to make a change to your plan can be found on https://studentaid.ed.gov/sa/repay-loans/understand/plans.

Before choosing a repayment plan, you must know whether you have a federal *Direct Loan* or a loan which originated under the *Federal Family Education Loan (FFEL) Program.* Under the FFEL program, private lenders provided loans to students that were guaranteed by the federal government. These loans included Subsidized Federal Stafford Loans, Unsubsidized Federal Stafford Loans, FFEL PLUS Loans, and FFEL Consolidation Loans. The FFEL program was discontinued in 2010 and since July 1, 2010 <u>only</u> Direct Loans have been originated.

Standard Repayment Plan (Eligible loans: Direct and FFEL)
With the **Standard Repayment Plan**, you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least $50, and you'll have up to 10 years to repay your loans.

Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For that reason, having a 10-year limit on repayment, you may pay the least interest.

Extended Repayment Plan (Eligible loans: Direct and FFEL)
Under the **Extended Repayment Plan**, you'll pay a fixed annual or graduated repayment amount over a period not to exceed 25 years. If you're a Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans. If you're a FFEL Loan borrower, you must have more than $30,000 in outstanding FFEL Loans. Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.

This is a good plan if you will need to make smaller monthly payments. Because the repayment period will be 25 years, your monthly payments will be less than with the Standard Repayment Plan. However, you may pay more in interest because you're taking longer to repay the loans. Remember that <u>the longer your loans are in repayment, the more interest you will pay</u>.

Graduated Repayment (Eligible loans: Direct and FFEL)
With the **Graduated Repayment Plan**, your payments start out low and increase every two years. The length of your repayment period will be up to ten years. If you expect your income to increase steadily over time, this plan may be right for you. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

Important Tip:
Taking advantage of alternate repayment plans is the best way to decrease repayment stress and avoid default. Lenders must offer you options if you meet eligibility requirements.

Income-Driven Repayment Plans

The following three repayment plans (Income-Based, Income-Contingent and Pay As You Earn) all take into account your household size and income to determine your monthly repayment amount. The plans are very similar, but offer different benefits. Please read the information carefully.

Income-Contingent Repayment (Eligible loans: Direct only)
This plan gives you the flexibility to meet your Direct Loans obligations without causing undue financial hardship (FFEL loans are not eligible ICR). Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans. Under the ICR plan you will pay each month the lesser of:

1. What you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income, or
2. 20 percent of your discretionary income.

The maximum repayment period is 25 years. If you haven't fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged.

Income-Based Repayment (Eligible loans: Direct and FFEL)
Borrowers who have experienced a "partial financial hardship" may qualify for **Income Based Repayment**. A borrower would qualify for a partial financial hardship if the monthly payment under the IBR plan is less than the monthly payment under the Standard Repayment Plan. Monthly payments under IBR will not exceed 15% of your discretionary income.

Payments made under IBR are calculated based on your annual income and family size. Your payments may increase or decrease from year to year based on changes to either/both of these factors. If you repay under the IBR plan for 25 years and meet other requirements you may have any remaining balance of your loan(s) cancelled.

If you are a new borrower on or after July 1, 2014, you may qualify for the New IBR plan which caps the monthly payment as no more than 10% of your discretionary income and allows for loan cancellation after 20 years of repayment.

In order to continue making payments under either IBR plan, you must submit annual documentation of your household size and income.

Pay As You Earn (Eligible loans: Direct only)
The newest repayment plan is **Pay As You Earn**. The PAYE plan is very similar to the IBR plan in that a borrower must demonstrate a partial financial hardship in order to qualify (see above). If a borrower qualifies for PAYE, the monthly payments will not exceed 10% of your discretionary income and loans may be cancelled after 20 years of PAYE repayment.

As with IBR, this repayment plan requires annual documentation of household size and income. Only new borrowers after October 1, 2007 who also received a Direct loan disbursement after October 1, 2011 are eligible for PAYE and only Direct Loans qualify (FFEL loans will not qualify).

If the interest that accrues on your loan isn't covered by your PAYE monthly payment, the Department of Education will pay your unpaid accrued interest for up to three consecutive years from the date you started under the PAYE plan.

Putting It All Together

Using the loan repayment estimator on http://studentloans.gov, you can get an idea of how the monthly payments would differ under each of the Income-Driven Repayment plans. Consider the following scenario for a student who graduates from the Brown School:

Total student loan debt:	$57,000 $41,000 Unsubsidized (5.84% interest) $16,000 Graduate PLUS (6.84% interest)
Tax filing status:	Single
Household size:	1
Adjusted Gross Income:	$37,000

When we enter this information into the loan repayment estimator, we would get the following:

Repayment Plan	Repayment Period	Monthly Payment Initial to Final Amounts	Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid
Standard	120 months	$635 to $635	$0	$19,216	$76,216
Graduated	120 months	$364 to $1,091	$0	$24,376	$81,376
Extended Fixed	300 months	$370 to $370	$0	$54,021	$111,021
Extended Graduated	300 months	$289 to $554	$0	$63,735	$120,735
Income-Based Repayment (IBR)	236 months	$242 to $635	$0	$51,430	$108,430
IBR for New Borrowers	240 months	$161 to $550	$47,438	$68,498	$78,060
Pay As You Earn	240 months	$161 to $550	$47,438	$68,498	$78,060
Income-Contingent Repayment (ICR)	175 months	$421 to $556	$0	$30,494	$87,494

You can see how the monthly payments would vary for the Income-Driven Repayment plans. You should take into consideration not only the Monthly Payment amount, but the Total Interest Paid and Total Amount Paid as well. The longer you are in repayment, the more interest will accrue on your loans for which you are responsible.

Loan Forgiveness

The **Public Service Loan Forgiveness Program** was created to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after you have made 120 monthly payments on loans under certain repayment plans while employed full-time by certain public service employers. Payments made before October 1, 2007 will not count toward the 120 total payments. Organizations/positions that may qualify include:

- Federal, state or local government agency or entity
- Tribal organization/agency & tribal college or university
- Non-profits that meet IRS 501(c)(3) requirements
- Military service
- Public education
- Public health services

- Law enforcement
- School/public library services
- Public interest law services
- Early childhood education

In order to qualify, an organization may not be a labor union or partisan political organization.

Only non-defaulted loans made under the Direct Loan Program are eligible for loan forgiveness. NOTE: Perkins loans and loans made under the FFEL program do not qualify for PSLF. The Direct Loan Program includes the following types of loans:

- Federal Direct Subsidized Stafford Loans
- Federal Direct Unsubsidized Stafford Loans
- Federal Direct PLUS Loans for parents and graduate or professional students
- Federal Direct Consolidation Loans

Although loan forgiveness under this program is available only for loans made and repaid under the Direct Loan Program, loans made under other federal student loan programs may qualify for forgiveness if they are consolidated into a Direct Consolidation Loan. Therefore, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments.

The 120 required payments must be made under one or more of the following Direct Loan Program repayment plans:

- Income Based Repayment (IBR) Plan
- Income Contingent Repayment (ICR) Plan
- Pay As You Earn (PAYE) Repayment Plan
- Standard Repayment Plan with a 10-year repayment

FedLoan (www.myfedloan.org) is the servicer the Department of Education has chosen to manage the PSLF program. You will need to complete the Employment Certification Form on their website for each public service position you would like to be included for consideration.

Keep In Mind:

The Public Service Loan Forgiveness Program is not a guarantee. You must meet ALL requirements in order to have loans forgiven through PSLF.

Discharge/Cancellation

It's possible to have your student loan debt **discharged** (canceled) or reduced, but only under certain specific circumstances:

- You die or become totally and permanently disabled.
- Your school closed before you could complete your program.
- For Direct Stafford Loans only: Your school owes your lender a refund, forged your signature on a promissory note, or certified your loan even though you didn't have the ability to benefit from the coursework.
- You work in certain designated public school service professions (including teaching in a low-income school).
- You file for bankruptcy. (This cancellation is rare and occurs only if a bankruptcy court rules that repayment would cause undue hardship.)

If you qualify for a loan discharge, you must apply for one:

- Federal Perkins Loan borrowers must apply to the school that made the loan or to the loan servicer the school has designated.
- Direct and PLUS Loan borrowers should contact your loan servicer.

Economic Hardship

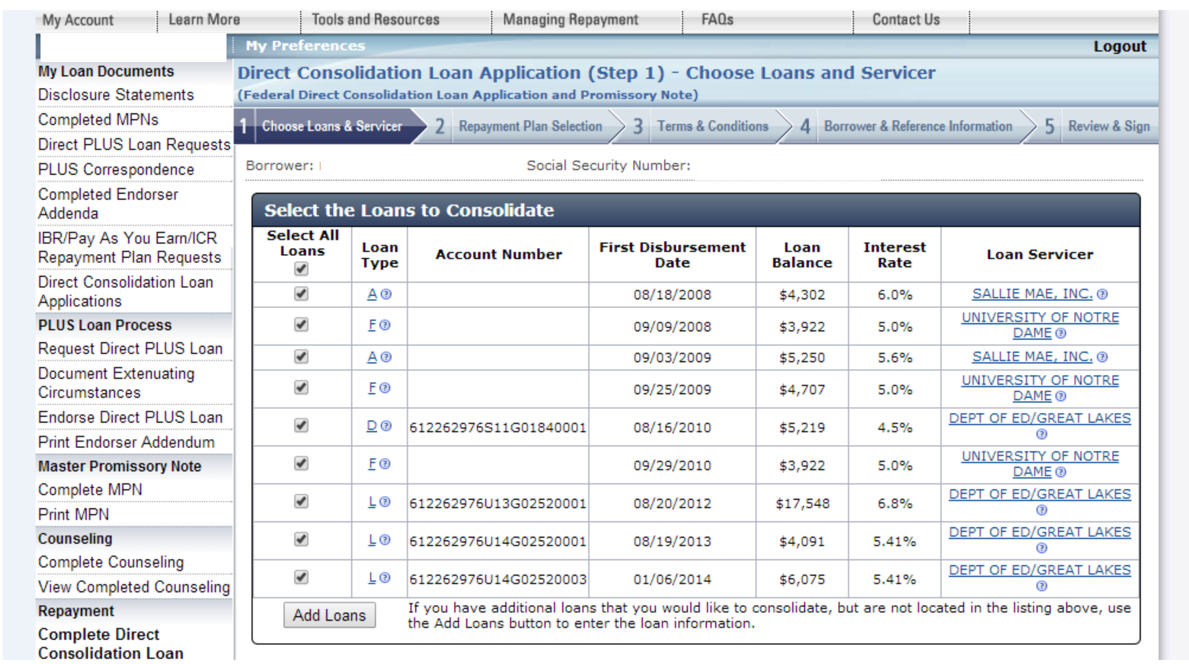
A Direct or Federal Perkins Loan borrower may qualify for an economic hardship deferment for a maximum of three years if the borrower is experiencing economic hardship according to federal regulations. The Summary of Loan Deferment Conditions chart on the Department of Education's website shows Stafford and Perkins Loan deferments for loans disbursed on or after July 1, 1993. For information on deferments for loans received before that date, Direct Stafford Loan and PLUS Loan borrowers should contact their loan servicer.

Consolidation

A **Direct Consolidation Loan** allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple payments. The new consolidated loan will have an interest rate that is calculated to be the *weighted average* of the interest rates of all loans included. Eligible loans include Stafford (FFEL and Direct), Graduate PLUS and Perkins.

In order to complete the Consolidation Loan application, you will need to log in to www.studentloans.gov and select **Complete Direct Consolidation Loan Application and Promissory Note**. You will then be guided through the Consolidation process.

Make sure you carefully review the loans that appear on the Choose Loans & Servicer. You will choose which loans you want to consolidate and are not required to consolidate all loans.



Select All Loans	Loan Type	Account Number	First Disbursement Date	Loan Balance	Interest Rate	Loan Servicer
✔	A		08/18/2008	$4,302	6.0%	SALLIE MAE, INC.
✔	F		09/09/2008	$3,922	5.0%	UNIVERSITY OF NOTRE DAME
✔	A		09/03/2009	$5,250	5.6%	SALLIE MAE, INC.
✔	F		09/25/2009	$4,707	5.0%	UNIVERSITY OF NOTRE DAME
✔	D	612262976S11G01840001	08/16/2010	$5,219	4.5%	DEPT OF ED/GREAT LAKES
✔	F		09/29/2010	$3,922	5.0%	UNIVERSITY OF NOTRE DAME
✔	L	612262976U13G02520001	08/20/2012	$17,548	6.8%	DEPT OF ED/GREAT LAKES
✔	L	612262976U14G02520001	08/19/2013	$4,091	5.41%	DEPT OF ED/GREAT LAKES
✔	L	612262976U14G02520003	01/06/2014	$6,075	5.41%	DEPT OF ED/GREAT LAKES

Add Loans — If you have additional loans that you would like to consolidate, but are not located in the listing above, use the Add Loans button to enter the loan information.

You also should take into account the impact of losing any borrower benefits offered under repayment plans for the original loans. Borrower benefits from your original loan, which may include interest rate discounts, principal rebates, or some loan cancellation benefits, can significantly reduce the cost of repaying your loans. You may lose those benefits if you consolidate.

Once your loans are combined into a Direct Consolidation Loan, they cannot be removed. That's because the loans that were consolidated have been paid off and no longer exist. Take the time to study the pros and cons of consolidation before you submit your application.

For more information about loan consolidation and the steps you would need to take, visit www.studentloans.gov.

Deferment/Forbearance

You can receive a **deferment** for certain defined periods. A deferment is a temporary suspension of loan payments for specific situations such as reenrollment in school, unemployment, or economic hardship. You don't have to pay interest on the loan during deferment if you have a subsidized Direct Stafford Loan or a Federal Perkins Loan.

If you have an unsubsidized Direct or Stafford Loan, you're responsible for the interest during deferment. If you don't pay the interest as it accrues (accumulates), it will be capitalized (added to the loan principal), and the amount you have to pay in the future will be higher. You have to apply for a deferment to your loan servicer (the organization that handles your loan), and you must continue to make payments until you've been notified your deferment has been granted. Otherwise, you could become **delinquent** or go into **default**.

> **Give Yourself Time**
> Loan forgiveness, discharge and economic hardship requests can all take up to several weeks to be approved or denied. If you anticipate needing one of these options, you should begin the process as early as possible to avoid any additional problems.

Forbearance, in comparison, is a temporary postponement or reduction of payments for a period of time because you are experiencing financial difficulty. You can receive forbearance if you're not eligible for a deferment. Unlike deferment, whether your loans are subsidized or unsubsidized, interest accrues, and you're responsible for repaying it. Your loan holder can grant forbearance in intervals of up to 12 months at a time for up to 3 years. You have to apply to your loan servicer for forbearance, and you ***must*** continue to make payments until you've been notified your forbearance has been granted.

Default

If you default, it means you failed to make payments on your student loan according to the terms of your **Master Promissory Note**, the binding legal document you signed at the time you took out your loan. In other words, you failed to make your loan payments as scheduled. Your school, the financial institution that made or owns your loan, your loan guarantor, and the federal government all can take action to recover the money you owe. Here are some consequences of default:

- National credit bureaus can be notified of your default, which will harm your credit rating, making it hard to buy a car or a house.
- You will be ineligible for additional federal student aid if you decide to return to school.

- Loan payments can be deducted from your paycheck.
- State and federal income tax refunds can be withheld and applied toward the amount you owe.
- You will have to pay late fees and collection costs on top of what you already owe.
- You can be sued.

For more information and to learn what actions to take if you default on your loans, see the Department of Education's Default Resolution Group website: http://www2.ed.gov/offices/OSFAP/DCS/

What Comes Next?

As you prepare to enter repayment, there are several other important things to keep in mind:

- Be sure to update your servicer(s) with any change of address, phone number or email address. Regardless of whether you receive payment notification, you are expected to make payments on time.

- Explore auto-debit payment options for your loans. Some servicers will reduce a loan's interest rate by up to .25% for borrowers who enroll in this program.

- Keep records of job offer letters, W-2s, paystubs and federal tax returns. If you plan to take advantage of the Public Service Loan Forgiveness, Income-Based or Income Contingent Repayment plans you may need this type of documentation.

- When applying for consolidation or an alternative repayment plans, you must continue to make your scheduled payments until you receive notification otherwise.

- Some borrowers who struggle with repayment find that cutting out certain unnecessary expenditures can help ease their monthly payments. Before applying for an alternative repayment plan (which can increase the overall loan balance), speak with a financial planner about creating a budget and ways to save money.

Loan repayment can be daunting, but it doesn't have to be. Through proper planning, personal responsibility and patience, your repayment experience can be manageable and stress-free.

Please contact me with any questions:

Matthew Newlin, M.Ed.
Assistant Director of Financial Aid
[o] 314.935.6655 [f] 314.935.9649
[e] mnewlin@wustl.edu